



Legislative *Perspective*

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Legislators to Hear Study Committee Reports and Recommendations

Interim study committee and task force chairmen will, for the first time, present their results and recommendations directly to legislative leadership and Legislative Council members at the beginning of the 2006 legislative session. The meetings, open to all interested legislators, will be held on January 9 and 10, from 2:00 to 5:00 p.m., in the JFAC Hearing Room.

In requesting the presentations, Pro Tem Geddes and Speaker Newcomb noted that this opportunity for formal reports will provide wider dissemination of the committee and task force recommendations, as well as closure to the interim study process and an opportunity to express appreciation to the citizen legislators who have taken time from their private lives and occupations to improve the legislative process.

Division of Human Resources Issues Annual Compensation Report

The Division of Human Resources released its annual Idaho State Employee Compensation Report on December 1. The report finds that base salaries are critically noncompetitive since the state is now 16.5 percent behind market rates for similar positions. The report calls for a 5.7 percent overall increase in funding for merit and market equity adjustments. This breaks down to 3.7 percent to keep up with the annual increase in the cost of labor and 2 percent to catch up with the market.

The report projects that if the state were to fund 5.7 percent annually over the next 10 years, "salaries would more than likely be at market." The cost to the General Fund for a 5.7 percent increase in employee compensation is approximately \$33 million. The report also includes such innovative recommendations as adopting a merit increase matrix, whereby greater base pay increases are awarded to the best performers, and appropriating more money to "agencies with average pay furthest from market."

Idaho Code requires both the division and the governor to submit their "recommendations on proposed changes in salaries and benefits." The Legislature may accept, modify or reject the recommendations, but failure to do so prior to adjournment constitutes approval of the governor's recommendation.

Idaho Code and Session Law Training Offered

Legislative Reference Librarian Kristin Ford will help legislators learn to expertly use Idaho Code books and Idaho Session Laws in a training session Monday, January 9 at 9:00 a.m. in the Legislative Reference Library. At 10:00 a.m. in the basement conference room, Kristin will provide training on using the Legislature's Web site. Please call the library to reserve your spot if you'd like to attend: 334-4822.

Director of Legislative Services Carl Bianchi has postponed his retirement at the request of leadership and will remain in his position through June. A screening committee appointed by the Legislative Council will adopt a recruitment schedule and the Legislative Council will appoint a new director in the spring.

General Fund Budget Outlook

Revenues Continue Positive Trend

Revenue collections continue to be strong, with November revenues exceeding the estimate by \$4.6 million. This is the ninth month in a row, going back to March of FY 2005, in which the revenue collections have exceeded projections. The 2006 fiscal year began with a \$222.6 million balance in July, and there should be an approximate \$200 million balance at the end of the fiscal year, even after covering necessary supplementals.

The current revenue estimate is for a 5.4 percent increase over last year and, through November, revenues are ahead of that estimate by about \$37.6 million. Governor Kempthorne will have a new revenue estimate for this year and for FY 2007, which will become public when he delivers his budget recommendation to the Legislature on January 9.

Fiscal Year 2006 Estimate	
<u>REVENUES</u>	Current Estimate
Beginning Balance	\$ 222,651,300
FY 2006 revised estimate (5.4% increase)	2,194,250,000
July through November revenues over projection	37,600,000
HB 400aa - Sales tax increase (one month)	17,750,000
Sales tax exemptions (r&d equip, energy gener.)	(8,125,000)
Endowment fix	(4,600,000)
Transfer to IDWR Revolving Development Fund	(3,000,000)
Transfers for deficiency warrants (fire suppression)	(9,000,000)
Transfer to Budget Stabilization Fund	(22,676,900)
TOTAL REVENUES	\$ 2,424,849,400
<u>EXPENDITURES</u>	
FY 2006 Original Appropriation	\$ 2,180,928,300
Reappropriations (H & W is \$8.2m)	11,611,100
1% CEC (one-time) agencies & public schools	14,221,900
Supplemental Appropriation estimates	
Indigent Health Care	3,000,000
Health and Welfare	7,000,000
Corrections	8,000,000
Total Estimated Expenditures	\$ 2,224,761,300
Estimated Ending Balance	\$ 200,088,100

FY 2007 Outlook

The facing page lists the FY 2007 ongoing General Fund budget requests from state agencies and institutions. Pull up a chair on JFAC and put together your own state budget. The revenue targets to use in balancing the budget are approximated near the bottom of the table and are based on a 5 percent, a 6 percent and a 7 percent increase.

Staff Contact: Jeff Youtz

Fiscal Year 2007 General Fund Budget Requests

APPROPRIATIONS

FY 2006 Estimated Expenditures	\$ 2,223,000,000	
Removal of one-time expenditures	(21,708,300)	

FY 2007 Beginning Base	\$ 2,201,291,700	
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MCO Cost Increases:

Personnel benefits (health care costs)	10,900,000	
Inflationary increases for operating expenses (1.9%)	5,616,500	
Employee Compensation; market move (3.7%)	22,343,300	
Public Schools; statutory formula increases	26,420,000	
Public Schools; 3% base salary increase	23,822,100	
Medicaid cost, caseload & utilization increase	32,077,400	
Medicare Part D annualization	12,500,000	
Higher Education enrollment adjustment	2,722,900	
Corrections inmate growth	8,314,200	
Subtotal; Maintenance of Current Operations	\$ 2,346,008,100	

Other Budget Requests:

Public Schools; math & science high school reform	1,450,000	
Public Schools; physical education initiative	5,600,000	
College & Universities; occupancy costs	462,600	
College & Universities; salary market adjustment	7,357,700	
College & Universities; funding equity (phase one)	2,184,000	
Community Colleges; occupancy costs	661,800	
Community Colleges; outreach improvements	624,000	
Idaho State Police; salary market adj. (phase one)	1,081,100	
Idaho State Police; additional troopers & detectives	2,315,700	
Corrections; salary market adjustment	3,032,700	
Corrections; alternative placement program	1,504,500	
Corrections; call center	2,251,400	
Health & Welfare; salary market adjustment	1,655,900	
Health & Welfare; early intervention services	1,231,800	
Health & Welfare; mental health services	3,339,100	
Health & Welfare; self-reliance caseload & child support	2,262,100	
All other ongoing budget requests	56,317,600	

Grand Total: Ongoing Budget Requests	\$ 2,439,340,100	
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Revenues:

Approximate ongoing revenues with a 5% increase	\$ 2,335,000,000
Approximate ongoing revenues with a 6% increase	2,357,000,000
Approximate ongoing revenues with a 7% increase	2,379,000,000

Estimated one-time General Fund year-end balance	\$ 200,000,000
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The one-time, year-end balance should not be used in the ongoing budget if a structurally balanced budget is to be maintained. However, there is no shortage of appropriate one-time uses for this one-time money, including restoring moneys to the Budget Stabilization Fund, funding equipment and other capital outlay needs in state agencies, and moving funds into the Permanent Building Fund for critical facility maintenance and construction projects.

Interim Committee Activities

State Employee Compensation

The State Employee Compensation Interim Committee met on November 28 and December 21 to discuss and vote on specific recommendations to be included in the interim committee report to the Legislature.

At the November meeting, Supervisor Jeff Youtz, Budget and Policy Analysis, presented a basic compensation proposal for the committee's consideration. The proposal addresses three areas: compensation philosophy, compensation plan and annual compensation recommendations.

The proposal's compensation philosophy for state employees recognizes that "maintaining a competitive compensation system is an integral, necessary and expected cost of providing the delivery of state services" and that the "state's overall compensation system, which includes both a salary and a benefit component, when taken as a whole shall be competitive with relevant labor market averages".

The compensation plan provides specifics on how the compensation philosophy is to be implemented and accomplished, such as establishing pay grades taking into consideration Hay points and market data, and advancement in pay based on performance and market changes.

The final piece of the proposal amends existing law to specify four components that must be included in annual change in compensation recommendations from the Division of Human Resources and the governor, and in any legislative concurrent resolution. These four components include:

- ▶ Market-related changes necessary to address systemwide structure adjustments to stay competitive with relevant labor markets;
- ▶ Market-related changes necessary to address specific occupational inequities;
- ▶ A merit increase component to recognize and reward exemplary performance; and
- ▶ Changes to the employee benefit package.

After discussing the merits of the proposal and making minor adjustments, the committee adopted the majority of the proposal.

On December 21, the committee met for the final time to consider other human resource issues. The committee agreed to give departments more flexibility in granting bonuses, employee suggestion awards and moving expenses. The committee also recommended that the state eliminate the current 90 day waiting period for health insurance eligibility for new employees, and return to the previous practice of employees becoming eligible on the first of the month following the date of hire.

The co-chairs of the interim committee will present the committee report to the Legislative Council and legislative leadership on January 10, and Matt Freeman will provide an overview of the committee report to the Joint Finance-Appropriations Committee (JFAC) on January 11.

Staff Contact: Matt Freeman

Membership of interim committees, meeting minutes and the calendar of scheduled meetings are all available on the Legislature's Web site:

[Interim Committees and Minutes](#)

[Legislative Calendar](#)

Natural Resources

The Natural Resources Interim Committee met in Boise on October 28, 2005. During the meeting the committee received updates relating to conjunctive management litigation in the state of Idaho, a number of ongoing cases in federal district court in Oregon, the Hells Canyon relicensing process, the status of the Nez Perce Agreement and progress relating to the Conservation Reserve Enhancement Program.

Personnel from the Department of Water Resources made a presentation regarding potential recharge sites, focusing on issues and challenges including water availability, organization structure and funding, recharge site development and site operation. A particular site recommendation was made relating to a site near Wendell known as the W-Canal. The department relayed that it had secured funding for the site, with the exception of approximately \$82,000. The committee voted to allocate remaining Eastern Snake Plain Aquifer Mitigation Grant Fund moneys in the amount of \$81,948 to the Water Resource Board to be used for the W-Canal Recharge project.

The Recharge Advisory Subcommittee, established by the committee earlier in the year, made a presentation outlining strategies it believes the state should follow concerning managed aquifer recharge on the Eastern Snake Plain Aquifer. The advisory subcommittee identified a number of primary considerations, including the potential establishment of an aquifer management authority, realization of the recharge capability of canals, water source availability and establishment of funding for aquifer management and recharge. Staff from the Attorney General's Office also presented a survey of domestic water use comparing 13 western states and their requirements, regulations and authorities relating to domestic wells. In addition, the committee received an update from the Department of Water Resources regarding the status of water district creations, primarily on the Eastern Snake Plain.

Staff Contact: Katharine Gerrity

Biotechnology Task Force

The fourth and final meeting of the Biotechnology Task Force was held in Boise on November 1, 2005. Following general discussion of proposals under consideration, several motions for task force recommendations were considered; eleven were passed.

The motions dealt with encouraging advancement of statewide electronic connectivity; recommending consideration of tax and investment incentives for improving research facilities and supporting investment in emerging biotechnology companies; funding for the Higher Education Research Council to support small research companies and create more graduate student stipends; recognizing the need to improve, replace and upgrade laboratory and research facilities; supporting the efforts of the U.S. Veterans Administration to construct a regional biomedical research facility on its Boise campus; statutorily authorizing the director of the state Department of Agriculture to encourage growth of technology in Idaho's agricultural industries; supporting the development of alternative energy from biomass and other energy sources, including nuclear, in order to move away from dependence on foreign sources of oil; endorsing support of creating local boards and a statewide board for further management of TechConnect activities and providing the necessary funding; and supporting development of Centers of Excellence and establishing academic programs for technology entrepreneurship in the universities of the state.

Staff Contact: Maureen Ingram

The Natural Resources Interim Committee voted to allocate remaining Eastern Snake Plain Aquifer Mitigation Grant Fund moneys in the amount of \$81,948 to the Water Resource Board to be used for the W-Canal Recharge project.

Capitol Restoration

At a December 16 meeting, the Capitol Restoration Task Force voted to recommend to the Legislature a resolution authorizing the restoration of the Capitol and the construction of a single-level, underground addition for hearing rooms on the front (Jefferson Street side) of the Capitol. The recommendation also included using the old Ada County Courthouse (following a modest “fix-up”) as temporary space to hold two legislative sessions while the Capitol restoration is underway.

Other options considered by the task force were the addition to the Capitol of single-level underground wings on the East and West ends, and the addition of three single-level underground wings on the East and West sides and on the front side.

Staff Contact: Eric Milstead

Information Technology Staff Readies for Session

The Information Technology staff has been busy this interim making improvements to the computer network. New wireless networking equipment has been installed to provide better coverage and enhanced security. Wireless access is now available in many areas where the signal has been too weak in the past. Additional network improvements will result in faster network logins. A new spyware and virus protection filter, as well as an upgraded anti-virus program, will provide additional threat protection. New, faster and more reliable printers have been installed in the majority caucus rooms.

Susceptibility to computer viruses rendered unusable the remaining older desktop computers that were running the now-unsupported Windows/NT operating system. Many of these are being replaced with a limited supply of Windows/2000 desktop computers. Due to the shortage of computers, some legislators will have the option of using an old laptop computer as a replacement. External monitors and full-size keyboards will be provided for these desktop replacement laptops upon request.

The Information Technology staff is offering computer training classes for legislators daily at 7:00 a.m. and 4:00 p.m. during the first two weeks of the legislative session. Additional training is available upon request.

Laptop Updates

It is time once again for legislators to bring in their laptops to be updated for the upcoming legislative session. **Shortly after the start of the session, the old wireless network will be disabled and non-updated laptop computers will not be able to connect.** Legislators should bring their laptops into the Legislative Services Office at their earliest convenience so they can be updated and returned quickly. Legislators who haven't already done so should drop their laptops off as soon as they arrive for the session.

Computer Training Sessions

One-hour computer classes for legislators have been scheduled during the first two weeks of the legislative session. Classes will be held at 7:00 a.m. and 4:00 p.m. in the computer training room located in the west side of the basement of the J.R. Williams Building. A class schedule will be sent to legislators prior to the session.

Staff Contact: Glenn Harris

Legislative Audits Report

Legislative Audits has recently released reports for the Idaho Wheat Commission, Idaho Human Rights Commission, Department of Insurance, Idaho State Independent Living Council, and the Department of Water Resources. Two of the reports included findings and recommendations.

Idaho State Independent Living Council

The Council was newly created in July 2004; it had previously been a part of the Division of Vocational Rehabilitation. The audit report notes that the Independent Living Council's internal control policies were not being consistently followed and needed some strengthening. Audit staff discussed with Council management the need to reconcile reports to the accounting system, the importance of consistent coding and the need for a better understanding of the state's accounting system, STARS. The report recommends that Council staff contact the State Controller's Office for additional STARS training to address these concerns.

Department of Water Resources

The auditors' examination found that the Department of Water Resources needed to improve its energy loan program controls. Areas needing improvement included reviewing and separating accounting duties, sufficiently documenting and recording any transaction changes or adjustments, properly researching and resolving questions concerning loan receivable balances, and providing guidelines for banks to follow when approving energy loans or changing wording on loan applications.

Audit Staff Update

It was with great pleasure that the Legislative Services Office welcomed back its own brave soldier in late November. **Jeff Trotter** returned safely from Iraq, where he was stationed with the Idaho National Guard. After a brief respite at home, Jeff is back at work full time as a financial/information systems analyst with the Legislative Audit section.

Legislative Audits welcomed four new staff auditors in November. **Dani Palmer** received her accounting degree from BSU in 2003. Dani has experience as an accounting specialist with Micron Technology and Boise City Police Department. Before joining LSO, Dani was a police officer and, most recently, a tax auditor with the Idaho State Tax Commission.

Prior to graduating from BSU in 2004, **Linda Brown** served in the U.S. Army. She was on the dean's list and earned a double degree in accountancy and finance. After graduation, Linda worked as a staff accountant for the Idaho Statesman.

Jim Combo attained his bachelor's and master's degrees from the University of Montana. Since graduating, Jim has worked for private firms in Tucson, Arizona, and in Boise. He is a Certified Public Accountant licensed in Idaho.

Darren Uranga received his B.S. in accounting from Albertson College of Idaho and is currently enrolled in the master's program at Northwest Nazarene University. Darren's job experience includes working at the J.R. Simplot Company and Title One Corporation in Boise.

The fiscal year 2005 Comprehensive Annual Financial Report (CAFR) for the state of Idaho is in process through the joint efforts of Legislative Audits and the State Controller's Office; report copies will be available when the report is completed.

Staff Contact: Ray Ineck

OPE Releases Substance Abuse Treatment Report

State efforts to address substance abuse are fragmented, in spite of the Idaho Code requiring a comprehensive and integrated system, concludes the Office of Performance Evaluations in its report, *State Substance Abuse Treatment Efforts*. The report was released to the Joint Legislative Oversight Committee on December 13.

Fragmentation of treatment efforts has contributed to the absence of statewide information necessary to answer basic accountability questions, such as:

- ▶ What are the statewide needs for services to address substance abuse?
- ▶ What is the state's capacity to meet those needs?
- ▶ What types of services are being provided, to which groups of people, and to how many people?
- ▶ Which programs are working and which are not?
- ▶ Are state efforts making a difference?

Collectively, seven state entities—the departments of Health and Welfare, Correction, Juvenile Corrections, Education, Transportation and the Idaho State Police, along with the judicial branch that oversees drug courts—spent about \$27.5 million in fiscal year 2005 on substance abuse treatment and prevention services. Health and Welfare spent about half of those funds.

OPE evaluators Chris Shoop, AJ Burns and Rachel Johnstone found a number of specific problems with the management of the state's substance abuse treatment services, including inadequate monitoring and oversight of the contractor and service providers, weak provider licensure and credentialing requirements, unreliable data about clients and program services, and insufficient information about program results.

Health and Welfare, designated under Idaho law as the state's substance abuse authority and responsible for administering two large federal substance abuse grants, poorly monitored federal funds causing a shortfall of approximately \$1.6 million in fiscal year 2005. Evaluators also found discrepancies in the Department of Health and Welfare's count of the substance abuse clients it served in outpatient treatment in fiscal year 2004—the count ranged from 4,472 to 8,151. Lastly, the success of Health and Welfare's treatment services falls short of the national rate. Idaho's treatment completion rate is between 19 and 24 percent, compared to the national rate of 39 percent.

JLOC will continue discussion of the report at its meeting on Wednesday, January 11. The entire report may be viewed on the Office of Performance Evaluations' Web Site at <http://www.idaho.gov/opec/>.

Staff Contact: Rakesh Mohan

The Department of Health and Welfare is designated under Idaho law as the state's substance abuse authority and is responsible for administering federal substance abuse grants.

Proposed Administrative Rules

Building Safety, Division of

07.02.05 Plumbing Safety Licensing

07.02.06 Uniform Plumbing Code

Education, Board of

08.02.03 Clarifies two recognition awards required

Environmental Quality, Department of

58.01.01 Air Pollution/structure & efficiency to update

58.01.01 Air Pollution/adopted after public comments

58.01.08 Rules for Public Drinking Water Systems

58.01.12 Administration of Water Pollution Control Loans

58.01.17 Wastewater-Land Application Permit Rules

Idaho State Police

11.02.01 Idaho State Police - Brand Board

11.03.01 The Motor Carrier Rules

Public Utilities Commission

31.61.01 Measurement of Stray Current or Voltage

Staff Contact: Charmi Arregui

Legislative Perspective

An Internet Newsletter —

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